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Chair

Mr. Blake Richards

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•(0845)

[English]

The Chair (Mr. Blake Richards (Wild Rose, CPC)): We'll call the meeting to order.

Welcome, everyone, to the 33rd meeting of the Standing Committee on Aboriginal Affairs and Northern Development. We're continuing our study on access to capital this morning.

We have three witnesses with us this morning. I want to welcome from the First Nations Finance Authority, Mr. Ernie Daniels, president and chief executive officer; from the First Nations Tax Commission, Mr. Manny Jules, chief commissioner; and from the First Nation Financial Management Board, Mr. Harold Calla, the executive chair.

Welcome to all three of you this morning. We have allotted up to 10 minutes each for your opening presentations.

Following those we'll have at least one full round of questioning and potentially a little bit more. We do have, unfortunately, some committee business that we have to take care of this morning, so we won't be able to utilize the full two hours, but we'll use as much as we can and ensure that it's quality time.

Who wishes to go first, Mr. Daniels or Mr. Jules?

Mr. Jules, the next 10 minutes or somewhere thereabouts are yours.

Mr. C.T. (Manny) Jules (Chief Commissioner, First Nations Tax Commission): Good morning. My name is Manny Jules and I am the chief commissioner of the First Nations Tax Commission. It is a pleasure to appear again before the House of Commons Standing Committee on Aboriginal Affairs and Northern Development.

By our count this is at least the 10th formal investigation by Parliament into access to capital issues facing our people. I am going to make recommendations today, but I'm going to preface them with some observations about why we haven't yet fixed this problem.

It's not because we don't have answers. I think it's because we are paralyzed by a history of mistrust that creates fear of change. Parliamentarians want to be assured that an increase in first nations borrowing won't lead to cases of unaffordable debt. For first nations it comes down to a mistrust of anything that comes out of Ottawa and the Department of Aboriginal Affairs. They often fear a hidden agenda of title extinguishment or an abandonment of responsibilities.

How do we get past this mistrust? I have observed four ingredients for success.

First, to begin, change needs to be first nations led. Second, change needs to be optional. We will never be able to please every first nation. All we can do is provide the choice of either to opt in or opt out of an initiative. Third, we need first nations institutions to help implement the changes. First nations institutions are viewed as moving away from the Indian Act and the Department of Aboriginal Affairs. Finally, change needs political will. Improving first nations access to capital shouldn't be a partisan political issue. It should have all-party support. We know this approach works. The First Nations Fiscal Management Act was first nations led. Although it was opposed by a few first nations, the act was optional.

In 2005 it was passed by Parliament with all-party support. Today close to 150 first nations, 25% of all first nations in Canada, use this legislation. They have raised over \$220 million in local revenues and issued a \$90 million debenture. More than 50 first nations have received financial management certification. Over 100 first nations students have taken university accredited courses to use this legislation. More first nations want to join, even some that originally opposed to the legislation. This is an access to capital change that has worked.

In the coming months, the government may introduce some amendments to this legislation. These are changes that are also first nations led. If passed, they will make it easier to join FMA, increase administrative efficiencies, and further improve access to capital. We seek this committee's support for these changes and the support of Parliament, should they be introduced.

I also want to make two more recommendations, which I am hopeful this committee will support.

The first one I have presented to this committee before: the first nations property ownership initiative. The most common method of access to capital in Canada is home equity. Over 50% of all business start-ups use home equity. The Indian Act makes this impossible for first nations on reserves because collectively, our lands are held in trust by Canada and we can not own our land as individuals. The solution is straightforward. Transfer the ownership back to first nations on an optional basis. This was supported in March 2014 by this committee in the study of land management and sustainable economic development on first nations reserve lands. I hope you will continue to support it.

My second proposal is to give first nations a leg up. Many first nations need revenues to build infrastructure and establish a credit history. These initial revenues could come if we shared in the fiscal benefits created by resource development projects on our territories. We need to share in the fiscal benefits. You can't expect strong support for a project from a first nation where governments receive all the revenues from the projects on its territories. While it is subject to a capped transfer, this challenge was acknowledged by the working group on natural resource development in its final report. I am proposing a first nations resource project tax. It would be a simple tax that a first nation could charge on new projects in its territory. It could be created from existing revenue room.

• (0850)

These moneys could be used to finance infrastructure at national standards and thereby give first nations a real stake in the success of the resource economy. The FMA and the tax commission would help support this concept.

In closing, let me state that history can only be overcome one positive change at a time. We can start with all-party support in Parliament for the proposed amendments to the First Nations Fiscal Management Act.

Thank you.

The Chair: Thank you, Mr. Jules.

Mr. Daniels, the next 10 minutes or less are yours.

Mr. Ernie Daniels (President and Chief Executive Officer, First Nations Finance Authority): Good morning.

I want to thank you for this opportunity. I was actually here last year and I didn't quite finish. I started my presentation and you guys had to go and vote on a bill. I hope that this time I'll get through it.

Thank you once again for this opportunity, I really appreciate it. I think it's very important that you hear what we're doing, because there's a lot of good stuff happening in our communities. I think everybody needs to share in the success that's been going on.

The FNFA is one of three first nations fiscal institutions created under the FNFMA, which came into force in 2006 with all-party support. The FNFA is a special purpose, not-for-profit corporation governed by those first nations that constitute its borrowing members. Currently there are 39 borrowing members and five that are in the process of becoming borrowing members. To date, approximately 150 first nations have requested that the minister permit them to use the act and the services of the institution.

The chair of the FNFA is elected from among the representatives of our borrowing members. I'm pleased to say that the current chair, Jody Wilson-Raybould from We Wai Kai First Nation, is here with us today.

The FNFA mandate is simple: to be the central borrowing agency for first nations across Canada. Many years ago, it was recognized by the visionaries behind the FNFA that individual first nations, whether under the Indian Act or self-governing, are too small and would never be able to cost effectively access capital markets on their own, if at all. It was recognized that there was a significant need to create economies of scale through pooling so that all qualifying first nations would be able to raise much-needed capital when they needed it and at affordable interest rates.

Today FNFA can provide long-term, fixed-rate financing with repayment terms of up to 30 years for its borrowing members by issuing debentures into the capital markets and then re-lending the net proceeds to the members. The FNFA also provides short-term bridge financing for its members at below bank prime rates. In addition to providing financing, the authority also provides pooled investment services to its members and other first nations organizations.

Based on our model and by working together through the FNFA, first nations have received two investment-grade credit ratings from Moody's and Standard and Poor's, have established market confidence, and now have access to financing that is available to other levels of governments in Canada.

It is important to remember that until the FNFA, first nations governments were the only governments in Canada that had to go to the retail side of the banking industry for public financing needs. If they could actually get financing, it was typically on terms and at rates not commensurate with their status as government borrowers and the underlying credit risk. Basically the banks, if they would lend, were making a lot of money from first nations loans.

June 26, with the issuance of the inaugural FNFA bond, marked the first time in Canada's history that first nations as a group of borrowers accessed financing directly from the global capital markets—that's Bay Street and Wall Street. The first issue was in the amount of \$90 million with a 10-year term at a fixed re-lending rate of 3.79%. Today's rate would be 2.85%. The 14 first nations that participated in the debenture used the proceeds for infrastructure, housing, and economic and social development projects. Since then, the FNFA has continued to issue bridge financing at 2.6% to borrowing members. These short-term loans will be rolled into the second debenture to be issued in June or July of this year.

As with other borrowers, the FNFA uses a banking syndicate that is made up of the capital markets divisions of the six chartered banks, the appropriate way that banks should be supporting the public financing needs of first nations government. It is actually our syndicate that purchased our debenture and then was comfortable in taking the full risk of reselling to subsequent investors.

I'm really happy to say that when we issued the debenture, it was sold within 20 minutes. The debenture was purchased by life insurance companies, pension plans, and large corporations.

● (0855)

The largest investors were out of New York State, followed by provincial pension plans here in Canada. These institutional investors evaluated the risk and rewards of investing their capital in FNFA's debenture versus purchasing debt from other governments. We compete with all the other provinces and cities. The FNFA structure and investor safeguards made our debenture very attractive to them, and the door is wide open for further FNFA issuances going forward. In fact, there is no shortage of market for our bonds. At any given time, fund managers collectively have to invest billions, if not trillions, of dollars, and are always in the capital markets looking for safe places to invest. We could have sold our debenture ten times over easily.

For our borrowing members, besides achieving lower loan rates, an important benefit of the FNFA is that each member is provided a letter from the FNFA that sets out their borrowing power. This is the amount that they can borrow. This is the amount that the capital markets would be willing to finance the community based on their secure revenue streams. Knowing this amount means each first nation government can focus on priority planning and meeting their community vision with confidence that the FNFA will be able to raise the requested financing. In contrast, banks review project-by-project requests and often say no, making long-term planning very difficult. The job of the first nation is to prioritize community planning. The FNFA's job is to access the capital markets when a member requires part or all of its borrowing power.

As an example of what becoming a borrowing member of FNFA has meant to one community, the Membertou First Nation in Nova Scotia is today saving \$140,000 per month with FNFA financing through the capital markets as compared to their previous loans through banks as retail customers, enough savings to build one new house each month. Their borrowing power letter gives their chief and council the confidence that they will have access at any time to over \$75 million in loan financing.

Of course, the FNFA does not operate in a vacuum. Considerable policy work went into developing the FMA and there are a number of safeguards that have been built into the system. In addition to ensuring stable revenue streams to support borrowing, central to the model is transparency and accountability to first nation governments. This is demonstrated through the requirement that all borrowing members must have a financial administration law and that they are adhering to strict standards established by the financial management board, who certify borrowing members accordingly. As the borrowing members support one another in the borrowing pool, it is critical that each borrowing member has confidence that all other borrowing members are adhering to the same rules, something I

know our chair and board are always emphasizing to potential new members.

While FNFA's membership is available to all first nations Canada-wide, each first nation applying for membership must be willing to work towards achieving superior internal governance standards while maintaining positive economic and financial ratios. The achievement of these two tests—ratios and internal governance—provides comfort to investors that their moneys will be repaid in full and on time.

Our model is also built on a principle that allows first nations to maximize their revenue streams for infrastructure and economic development, and thereby diversify risk and increase opportunity. Currently, these diverse and stable revenue streams include property taxes, fees, permits, resource rents, royalties, lease payments, government transfers, business income, and interest payments.

I'm going to move really quickly to some of the recommendations. There are three areas where we would like to offer solutions for first nations access to capital.

The first is to monetize capital dollars. Currently, AANDC funds infrastructure on a pay-as-you-go basis, as determined by need and other factors. This relieves debt obligations to Canada, of course, but only chooses a limited number of projects each year. With policy changes, the opportunity exists to monetize through FNFA annual federal funding for on-reserve infrastructure. This would enable more projects to occur today, at today's costs, with benefits today and not with tomorrow's inflationary costs and lost opportunity.

● (0900)

The second is to permit broader securitization of Indian moneys. Right now there's about \$800 million in Indian moneys earning about \$250,000 each year. Under our model, this money can actually be used as leverage to increase borrowing for first nations.

The third is participation in large-scale resource projects. I know Harold is going to talk about that.

In conclusion, things are rolling. Money is going out the door; loans are being made to first nations, and economic development is happening. First nations are using a lot of the proceeds from borrowing for housing, for energy resource projects, and for a lot of things, so things are happening.

Thank you.

The Chair: Thank you, Mr. Daniels.

Now we have Mr. Calla on behalf of the First Nations Financial Management Board, for the next 10 minutes or less.

Mr. Harold Calla (Executive Chair, First Nations Financial Management Board): Mr. Chairman, thank you for the opportunity to appear before you today.

In 11 days it will be the 10th anniversary of the passing of this legislation. I want to thank all parties and all governments for their continued support for this valuable initiative.

You have to ask yourself why we are here. If we didn't have a problem, we wouldn't be here talking about the need for capital, or if we didn't have challenges in our community. I think we must all come to understand the reality that the status quo in terms of the fiscal financing relationship will not resolve the issues. They're only going to continue to grow. We need to look at creative and innovative approaches to dealing with how first nations as governments are resourced and able to care for their people.

Getting access to capital from the private sector is the only way that I see for us to be able to bridge the gaps that exist today. When I come before committees and I understand through that research that there is a \$10-billion deficit in infrastructure and housing on reserves, that can never come adequately from transfer payments from the federal government. We have to engage the mainstream economy, and we have to develop revenue streams.

Providing a framework that allows you to go someplace to make an application for money is really important work, and we need to continue that, but we must recognize that you can't do that if you don't have cashflow. Banks do not lend on the basis that they're going to realize on security; they're not in that business. What they want is debt, principal and interest, to be repaid.

While we're developing some valuable tools on how we can accommodate pooled borrowing and have first nations as governments borrow together from lenders as governments at cost-effective rates, I think we can't ignore the other side of that, and that is, first nations as governments need to have revenue streams. They need to engage in the mainstream economy and have a share of the revenues that are generated by other governments that come from the territory.

It's like this. If I want to buy a car and I make a credit application, the whole facility might be there, but if I don't have a job and I can't make the debt service payments, I'm not going to get a loan. Please, let's not forget that big piece of the puzzle. Yes, let's create the framework for access to capital, but let's not forget the need to create the revenue streams that can support the debt service that is required.

We talk about the need for legislative amendments, some administrative amendments, to streamline. We would very much appreciate, again, non-partisan all-party support to get this done before the House rises in June. That's absolutely critical for us.

When we started this, there was some apprehension about who would come on board. The fact is that we have one in four now coming on board and our geographic distribution is now completely across the country. People are starting to awaken to the opportunities that economic development is creating in their traditional territories through natural resource and major project developments. They want to participate in those kinds of things.

As we look into the future, we ask, how do we resolve the issues that are before our communities and the poverty they live in? Having them participate in the wealth generated from our natural resource economy, which is what Canada's economy mainly is, has to be a solution. How many more times must we go back to the Supreme Court of Canada and argue—both of us—before we accept the

reality that first nations have an interest? They should be included and become part of the growth of the Canadian economy, and as a result of that participation, reduce the dependency, become more self-reliant, and regain some of the integrity they had in how they managed their affairs before European contact.

We need to bring them in. These are times when we have to look at first nation communities as economic solutions, not social problems. That's really where we have to get to as communities. I think we have proven, through the work we have done, that first nations are prepared to come forward. They are prepared to develop financial management systems, develop financial administration laws, have their financial performance measured, and become credible business partners and credible risks.

● (0905)

We need your continued support to develop that process right across the country so that more first nations come on board. Our goal as institutions is that every first nation in this country eventually become a client of these institutions and be able to benefit from the services we offer.

From the financial management board's perspective, this means developing financial literacy and creating an understanding of what it takes to develop a financial management system. What it is going to take on the part of everyone else in this country is the recognition that we have to invest in capacity development in our communities, and the first nations themselves have to invest in their own capacity development.

I'm pleased to say that to this time we have received the support from government to be able to do these things, and it's really important. We're starting to see the synergy that comes from that kind of investment, and it needs to continue. I think it's really great that we're having a conversation around access to capital, because that is ultimately the solution. We have some social issues that we can't ignore, but if we don't focus on economic development, we will always only have social issues.

The investments that you're going to be asked to make over the next while are not going to be inconsequential. First nations participation in major resource development in an equity form is going to require billions of dollars of capital, some of which is going to need to be supported by both federal and provincial governments, in my view, to get access to that capital. But those are topics for another day; I hope we will have the opportunity to come back to speak to you about those.

What we can say to you is that these institutions have created a credible framework that has resulted in debentures being issued. We have accountable, transparent systems in first nations communities and are building capacity that will not only serve as models to support borrowing through the finance authority but will promote good governance in the transfer relationships that these first nations have with Canada.

The third party management issues that are faced by the department are matters that can be addressed through the work we do with communities in building financial management systems. That will again further the ability of first nations to be viewed as credible business partners in the economies in their traditional territories.

With that, Mr. Chairman, I'll conclude. We thank you for the support that we've received over the last 10 years and we look forward to working with you in the next 10.

• (0910)

The Chair: Thank you very much.

We'll move now to the first round of questioning.

For the first seven minutes, we have Ms. Ashton.

Ms. Niki Ashton (Churchill, NDP): Thank you to our three witnesses for joining us.

This is the second session of this study, so we're still in the early goings of this discussion. The committee did a similar study more than a year ago. One of the recurring themes that we heard in that study, and perhaps more broadly in terms of the discussion around first nations and their desire to pursue economic development, is the importance of the First Nations Land Management Act and the ability to be a part of that structure. We've also heard about the long waiting list that exists and about first nations that want to embark on that process, although unfortunately the support doesn't exist from the federal government to ensure that they have the opportunity to be part of it.

I wonder whether you could speak to the importance, or however you perceive it, of the FNLMA and the need to support first nations that are desiring to be part of it.

Perhaps we'll start with Mr. Calla.

Mr. Harold Calla: Thank you.

My community, the Squamish First Nation, was one of the communities that were proponents of the land management act. We see the land management act as essential in gaining the confidence of the private sector that timely decisions can be made. It removes the obligations of the department and makes first nations accountable for their own decisions, which is something first nations have sought.

It is a valuable tool for first nations, who are ready and able to move forward and should always be encouraged. Again, it's another piece of optional legislation that I think reflects what I consider to be a tone that first nations should be able to evolve as they choose to and are ready to. The land management act creates a means by which economic development can occur at the speed at which business is done, and that is its most important aspect.

The legacy of the Indian Act and the provisions of the Indian Act that require the federal government to participate in the decisions around reserve lands over the years has not been a very good one. You can just look to specific claims and the issues around that process to understand some of the challenges.

One of the biggest challenges you face in the transition, in my view, is getting to the point at which we understand at the transfer date who is responsible for what. The inherent liability, if I can characterize it that way, that happens at that time, who assumes what responsibility for environmental remediation, for inappropriate leases where true economic value was not achieved, these are matters that are impediments. They are obligations and liabilities that have accrued over 100 years. It is no one individual's or one minister's or one party's problem; it's a problem with the system. There has to be cooperation and an understanding that those are not insignificant issues that have to be dealt with.

• (0915)

Ms. Niki Ashton: Thank you.

Mr. Jules.

Mr. C.T. (Manny) Jules: I hope that all of you eventually get a copy of the history of the Indian Act, which is an unpublished document outlining the Indian Act's evolution in Canada.

When Upper and Lower Canada were looking at dealing with title issues with first nations, there was a decision made in 1836 that Indians, Indian bands, and tribes would never own their own lands. That is the fundamental root of the problem and the fundamental root of the Indian Act. It meant that we were condemned to be wards of the state, treated like children, as we still are.

The only fundamental way to get out of that system is to eventually get rid of the Indian Act. Unfortunately, that won't happen, and so any option, including the land management act, is critically important to move forward.

I myself was involved at the very beginning of that dealing with 53/60. I worked with Squamish, Westbank, Sechelt, and a number of other communities in British Columbia, because we were involved in economic development.

We realized early on that the Department of Indian Affairs at that time was only open to anything that saved harmless Her Majesty; anything you deal with—and you see it around this table over and over again—involves how we save harmless Her Majesty. We're dealing with access to capital issues. How do we get to the open market without creating further liability for the Government of Canada? These are huge challenges, but they're challenges that we can overcome, as long as the process is first nations-led.

I personally also want to promote the option of first nations property rights so that individuals can go to the bank on their own, while making sure that the underlying title will always be vested in the first nation.

That's my answer.

Ms. Niki Ashton: Thank you.

Mr. Daniels.

Mr. Ernie Daniels: I believe that this act is really important. I see the importance as being in long-term planning, as communities are building themselves to pursue whatever activities they see as important to them and as a priority, and on their own time. Essentially, they're in control of it. This allows them to look for financing and the capacity building that they need in order to undertake the activities that are important to them. That's how I see the importance.

Ms. Niki Ashton: Thank you.

The Chair: Thank you very much.

Next we have Mr. Dreeshen for seven minutes.

Mr. Earl Dreeshen (Red Deer, CPC): Welcome, witnesses. It's great to be able to talk with you again. We've had discussions in the past, and certainly the things you have said are extremely important for us to be able to move forward. I hope in the time that I have we can talk a little bit about some of the amendments and the significance of those.

I want to talk about some of the specifics that have been mentioned.

Mr. Daniels, you spoke about the debenture-issuing capacities and the pooled investments and the services that you have for your members. I was wondering if you could discuss some of the advantages and barriers that you see for the other 75% of the first nations who aren't yet in the project you folks have been working on so diligently. Maybe you could lay out what you see for the next few years as you try to bring them in.

• (0920)

Mr. Ernie Daniels: One of the barriers I see is the capacity issue both on our side and on the first nation side. There's really an education process to understanding how the act can actually help them achieve their goals to access financing for economic development, investing in two different projects, and doing social projects. I think Manny touched on it a bit in the presentation. It's to create revenue streams. This recommendation for government to create revenue streams actually came out of the National Aboriginal Economic Development Board as well. One of the recommendations I made in terms of monetizing capital dollars would actually serve that purpose as well in the large resource projects.

I think there's an education process as a barrier. The opportunities are to create these revenue streams that first nations could access. Also, the amendments that we're putting forward will increase, we hope, the ease of access for first nations to get involved in the regime.

Mr. Earl Dreeshen: Is that also, then, going to help in the ratios you were speaking of? When new entrants come in, they have to deal with certain ratios, but they also have to deal with internal governance. Those are the two points you touched on. Is that part of the capacity building, for people to recognize what their needs are, so that even if it's five years down the road they can start working on those aspects now?

Mr. Ernie Daniels: Yes, that's exactly the point. You nailed it right on the head.

Mr. Earl Dreeshen: Just so we can get this on the record, why are these amendments necessary? What sort of support have these amendments received from first nations you've spoken with?

Mr. Ernie Daniels: The scheduling was one of the biggest issues I encountered when I was talking to first nations. The current process can be fairly lengthy. It's a Governor in Council process, and it can take up to six months. In the Membertou example I mentioned, they had actually completed all the work and were waiting to be scheduled. For every month they were waiting to be scheduled, they were actually losing 140,000 real dollars. The amendments provide clarity on a number of issues for which there are grey areas, so they're going to be very helpful for all of us as issues arise in those areas.

Mr. C.T. (Manny) Jules: One of the areas that Ernie touched on is that right now, when you have to go to the Governor in Council, that process takes three to six months. Not only are first nations losing money in terms of getting access to the capital, but in our case, all of the communities lose a tax year. That's a substantial amount of revenue. It isn't just \$140,000; in some cases, it's millions of dollars. That in itself is worthy of an amendment.

All of the other amendments are basically technical in nature. In terms of the support that we have, these are amendments that we've been developing with first nations over the past seven years. They brought forward these are amendments and said, "We better fix this. If you get a chance to amend the act, we will participate".

For issues like notification, they've already been involved in taxation. They asked why they should go through the whole process again when they've already gone through it at the community level.

When we talk about consultation, we have support for this from all of the tax administrators that we work with. We have support from the Canadian Taxpayers Federation as well as the Canadian Energy Pipeline Association. We and all of the institutions have been doing their work to make sure that we have the support of the clientele that we work with.

Other issues include making sure that fees and licences are included as part of this, as well as grants in lieu of tax, because you can't tax another government. As an example, BC Hydro revenues in British Columbia could be used as part of the revenue stream that could be securitized. Right now they can't be.

• (0925)

The Chair: Thank you very much.

We will now move to Ms. Bennett for seven minutes.

Hon. Carolyn Bennett (St. Paul's, Lib.): As you know, it looks like this committee is going to end up having to study Bill S-6. We have only 10 weeks until the end of this Parliament, and then there will be an election.

How important would you say these amendments are? Do you see something our committee could do to help get that going, in terms of all-party support? Is it in the form of a free-standing bill that could be expedited in some way? Is it something that could be included in a budget implementation act? How important is it that these amendments come forward in a timely fashion?

I don't know, Mr. Chair, whether we could do an interim report. I don't know when the report of this study will be done, but this seems urgent. I just want to know if you've been doing some thinking about this. It sounds as though the amendments are pretty well drafted. How ready are you to get on with this?

Manny, are all people who would be affected by this legislation in favour of it? I think that as parliamentarians, the committee would want to know if there is anybody who would object to our just getting on with this.

Mr. C.T. (Manny) Jules: From our knowledge, all of the individual communities that are involved in taxation, involved in the borrowing pool, support these amendments. They want to get on with the business of getting access to capital and asserting their jurisdiction within their communities. There's no question in my mind that we have broad base support right across the country.

As you outlined, there are two options before us. I don't know if we can compete against, for example, C-51. Where are we with regard to that type of priority? I don't believe we are a priority of that nature.

I strongly support a recommendation from this committee, if possible, or from government to be included in the budget implementation act.

The second option would be a stand-alone piece of legislation. The problem, as you correctly point out, is finding legislative time in a compressed 10 weeks, or however much time we have. We're running out of time.

These are amendments that we've been waiting for since 2012. It isn't like this just happened. There was a commitment made by Parliament to review this by 2012. We've been diligently working on which amendments all of us, as well as government, could agree on. Our understanding is that it has gone through the cabinet process. There have been drafters assigned to this. We've clearly outlined what amendments we want, so I don't believe translating what we want into legislative language in a very short period of time is insurmountable. I believe that we would be ready for the BIA.

Mr. Harold Calla: Thank you for the question.

I think it's also important to remember that these legislative changes do not change the optionality of this legislation. Nobody who is not part of this, or who doesn't want to be part of this, will be impacted. Only those who have already committed to the process and are engaged will be impacted.

As Manny has said, we've all been working with communities. In some cases, many of these have come from communities. I mean, this is 55 pages of legislation that we have developed that's never been developed anywhere in the world. We sat down and did the best we could; everyone did. It's only when you put it on the ground and start to run with it that you start to find where there needs to be some clarification. We all say the same words, but it means different things at times.

I have a lot of respect for the legal profession—even though I'm an accountant—and the fact is that we've now had a lot of lawyers look at this and say, "What does this mean?" When we tell them what it means, they say, "That's not how I read it." A lot of

clarifications are being brought to this to bring certainty to it all. We think it is appropriate that it be done before June so that we can move on in the next year, and in particular bring some clarity around these issues to the natural resource development opportunities that will exist in the next year, not just in terms of equity participation but in terms of implementation, needing access to capital to participate in the building of these projects if you have businesses that need.... We need these things today.

• (0930)

Hon. Carolyn Bennett: Just to be clear, this came out of the statutory review in 2012.

Mr. Harold Calla: Yes.

Hon. Carolyn Bennett: This all came out of what was done.

In terms of the issue around options to expand the leverageable revenues, there are many options, I think. Do you want to go into some of those things that you might like to see?

Mr. Ernie Daniels: One of the things I mentioned was the monetization of capital dollars. If \$150 million, as an example, were monetized on an annual basis for 10 years, just over \$1 billion could be leveraged at today's dollars. When you do the math, it's.... I don't know what the average cost of a house on a reserve is, or to build a reserve, but you could build a certain number of houses. Leveraging \$1 billion per year, you get really close to the \$10-billion deficit in housing. It's very close to that.

I think maybe even doing a pilot test or something along these lines, where we're able to monetize capital expenditures, would really benefit social housing.

Hon. Carolyn Bennett: Does that include the transfer...if you knew there was a multi-year transfer, that was consistent for the next five years or ten years, that you could use that commitment from the federal government?

Mr. Ernie Daniels: Yes, we could.

The other suggestion—

The Chair: I would ask that you keep the response quite short, if you can. The time has expired.

Mr. Ernie Daniels: Yes.

The other one is the Indian moneys. There is lots of money sitting there that could be leveraged. There's about \$250,000 annually that's generated. You can actually leverage it by 12 or 13 times.

The Chair: Thank you very much.

We have Mr. Barlow for the next seven minutes.

Mr. John Barlow (MacLeod, CPC): I want to go back to these amendments a little bit. Being new on the committee, I'm not aware of what exactly they outline.

Mr. Jules, could you explain for me the amendments and how they will increase access to capital for first nations communities who are part of this program?

Mr. C.T. (Manny) Jules: Another example is fees and services. Right now we're excluded to, in the case of real property tax, just collecting tax. What we're also looking at is imposing fees and charges on provision of local services, including water, sewer and waste management, animal control, and recreational services. Even though that's a very small item, in a lot of communities that means a lot of revenue. Those kinds of things are important issues.

We now have, as a result of Rob's work, an ability to use the First Nations Gazette. We're moving away from paper notices, newspaper notices, and utilizing a very important tool that allows first nations, no matter where they are, to access laws as they develop. That's another small item, although its impact is very huge. It allows not only first nations to look at laws as they're being developed and passed, but it also allows ratepayers to look at it. It also allows investors to look at that as well. Those kinds of amendments have evolved as a result of our direct working relationship with first nations that have been involved in establishing the jurisdiction over taxation and all the myriad issues that they face under that regime. Then when you compound it with what's happening in the management board as well as FNFA, all of these work in concert to ensure that investor confidence is built in what we're doing.

• (0935)

Mr. John Barlow: Thank you. It sounds like the amendments aren't significant changes but they will have a profound impact on how the process works, if we can get them.

Mr. C.T. (Manny) Jules: Absolutely.

Mr. John Barlow: Mr. Calla, I really like the comment that you made that this is an economic solution and not a societal problem. I think that's a great way to brand this and what we're trying to do here.

You mentioned that your goal is to have all first nations communities be a partner in these programs. I think Mr. Daniels touched on that a little bit, but I wanted to get your response as well. If we have one in four who is involved, what's holding back those other three, and is there something we can do as part of the study to address that?

Mr. Harold Calla: What we've seen since 2005 is that many communities that did not see economic opportunity, could not see how they could benefit from this legislation, are now being confronted with economic development opportunities, particularly in the north, as a result of all of the major initiatives that are under way in this country. Anything that we can do that can bring economic development opportunity and first nations participation in that economic opportunity is something that needs to be pursued, because all of a sudden they see the need for access to capital. They see the need to be accountable and transparent to respond to their membership to become business partners.

They have to move out of the dependency base. They have to evolve into being able to function in a modern-day economy. It's the financial literacy that comes with that, the planning that Ernie talks about, the need to develop capital plans or treasury function. We have to evolve from a dependency based, "I'm going to fill out my form and send it in and get a contribution agreement from the Department of Indian Affairs" to "I'm going to have a full-blown

capital plan and a business plan that's no different from what you do as a federal government, just smaller."

Mr. John Barlow: Mr. Daniels, you were mentioning that the letter outlining how much they can borrow is an important piece of this program. I don't know if you touched on it, but can you explain to me how those limits are set and the process that goes into that, please?

Mr. Ernie Daniels: We worked in concert with the banking syndicate and the investment community to develop different leverage factors for each type of eligible revenue stream that's allowed under the regulation. We assess a first nation. We review their financial statements, look at the eligible revenue streams, and then apply the factor over what term they want. That determines how much they borrow.

The other part of it is that what we incorporate in there is that we won't lend more than 75% of that capacity, because we never want to put a first nation in the position where they're going to over-borrow. That coverage ratio is for each revenue stream, depending on the risk level.

Mr. John Barlow: What do they need to have in terms of collateral as part of that process?

Mr. Ernie Daniels: There is no collateral. We secure ties to revenue stream.

Mr. John Barlow: It's just to revenue stream.

Mr. Ernie Daniels: We don't do risk lending.

The Chair: Thank you, Mr. Barlow.

We have one more round each for the opposition and the government, and then we will probably move to our committee business.

[*Translation*]

Mr. Genest-Jourdain, the floor is yours.

Mr. Jonathan Genest-Jourdain (Manicouagan, NDP): Good morning, gentlemen.

Mr. Calla, in your presentation, you talked about the social impact of natural resource development. That opens up the door to questions.

The documents supporting your presentation indicate that natural resource development plays a role in community development and economic development.

Mr. Calla, although there have been agreements and partnerships related to the media coverage of First Nations, how do you explain that the breakdown of the social fabric is all too often associated with natural resource development? Ultimately, that is being done at the expense of the Aboriginal communities that are close to natural resource development sites.

• (0940)

[English]

Mr. Harold Calla: Thank you for that question. It is very timely. We are now in a position where there is going to be a lot of potential wealth transfer. It is my view that we don't invest early in capacity and community development. Arriving at the door with a bunch of money in the absence of that has created the problem. That means, how do you manage wealth?

We are pretty good at managing poverty; we have a lot of experience at that, but we have not had the opportunity to manage wealth. It's because we don't have the technical experience and capacities; we don't have the planning experience and capacities, and too often we are not engaged in the economy.

If having money presented to you were a solution, we wouldn't be in the circumstances that we're in, in my view. People need to work. They need to be engaged, to have an interest, a personal interest in what goes on, and to be able to achieve a personal benefit. We have to invest in the development of the capacity in that community. In my view, many of our impact benefit agreements are not put in place to deal with community development. They are put in place to achieve the objective of getting the project moving at any cost.

What we are starting to see evolving in the resource industry is a recognition and a need for them to invest as well as everyone else in that community development. The best long-term solution for the private sector is to see that happen. As these projects are being considered, we have to invest in them, not at the time of signing, but we have to start today.

[Translation]

Mr. Jonathan Genest-Jourdain: That explains things, Mr. Calla. Thank you very much.

The documents submitted to my attention refer to superior internal governance standards in relation to the program you are promoting today. Do those superior internal governance standards for First Nations also include the redistribution of monetary benefits from resource development to band members?

Does your plan ensure that each member of the community will benefit from that, not just the few elected under the Indian Act? Is that part of the superior standards?

[English]

Mr. Harold Calla: The process that we engage in with the community is for them to develop a financial administration law, which is not dissimilar to your Financial Administration Act. We also measure financial performance. In order to get to the borrowing pool, you have to submit five years of financial statements to the financial management board. They have to meet certain tests. The most fundamental piece, the most important building block and the most work is developing a full-blown financial management system which deals with a lot of the systems of governance. We do not pretend to make the decisions for the community. What we insist on is that processes be put in place in which the community is involved in the decisions that are being made, and that those decisions are accountable and transparent. It's up to them to decide, but what we have found is that when you have an opportunity early to begin the process of looking at how you want your community to develop,

those things will evolve in time. Part of our role is to help develop that capacity with those communities and bring communities together.

Last week we had 37 different communities from seven provinces in Vancouver at a financial management systems seminar. Some were big communities. Some were small communities. What we started to see in that process is the sharing of knowledge among communities, which is far better than somebody like me coming and telling them what to do. That's the kind of support we're getting and we need to continue to have, that sharing of experience among communities, not just the good, but some of the challenges as well.

• (0945)

The Chair: Thank you very much.

Next we have Mr. Seeback.

Mr. Kyle Seeback (Brampton West, CPC): I wish I had 20 minutes, but I'll try to deal with it in five.

What are the revenue streams you can currently leverage a borrowing member? My understanding would be property tax, some own source revenue, and resource revenue if you have it. Are there any other types of revenue a first nation could use as part of getting into the borrowing pool?

Mr. Ernie Daniels: There are government transfers, business revenue, contracts, leases, municipal transfers.

Mr. Kyle Seeback: It's really any steady, reliable stream of income.

Mr. Ernie Daniels: Yes, it just has to be legal.

Voices: Oh, oh!

Mr. Kyle Seeback: Yes, I assumed that.

Mr. Ernie Daniels: When I first started, they told me, "Just make sure it's legal."

One of the revenue streams that's not allowed is the GST revenue. Some first nations actually have arrangements with provinces and Canada about the GST. That's not an eligible revenue stream.

Mr. Kyle Seeback: Do any of the amendments that you're putting forward expand the types of revenue streams that are going to be available for leverage? Do they deal with any of that at all?

Mr. C.T. (Manny) Jules: Yes.

Mr. Harold Calla: They do?

Mr. C.T. (Manny) Jules: Fees and permits, and grants in lieu, so those formerly weren't part of the eligibility criteria.

Mr. Kyle Seeback: They may not be huge amounts of money, but when you can leverage it tenfold and take it over 10 years, that actually makes a big difference.

Mr. C.T. (Manny) Jules: Exactly.

Mr. Kyle Seeback: What are the impediments right now to a first nation becoming a member?

Mr. Harold Calla: I'll take a run at it. We're the gatekeeper. The financial management board is required to certify before they can get to borrow, before the tax commission can approve a borrowing law. Part of the impediments are history. The fact that you need to have five years of financial statements, that you need to meet certain performance ratios, and the legacy of managing poverty has created an inability for many to get to those qualifications.

Mr. Kyle Seeback: Do you help a first nation get there? Do you have the resources if a first nation approaches and says, "We want to get here. Can you help give us the tools to move along the path"?

Mr. Harold Calla: Yes, we do. I'm pleased to say that many communities are now coming forward to us because they would eventually like to tax and they would eventually like to borrow, but with their current circumstances, they can see, when they look on our website, that they're not going to meet the ratios, but they say they have to start somewhere.

Yes, they are starting, but one of the biggest impediments is that legacy. The other thing is that this is a paradigm shift for many communities. We're moving now to say that we recognize that where we have an opportunity to take care of ourselves, we're going to, and we need systems to be put in place. Part of the good work that's been done by Regional Chief Jody Wilson-Raybould in British Columbia is a governance guide, which is several binders and is a road map for those who want to become a self-governing first nation and be accountable and transparent and do all those things.

We have financial management systems. We have sample policies. We go out to communities and say, "Here it is." The biggest challenge we're going to face is that we're all going to have to invest in it. It's easy to say, "Here it is, now go and do it," but where are the

person-years and where's the money to make it happen? That's the challenge we're going to come to.

Mr. Kyle Seeback: That was where I was going to go next. It's never enough. We know that across all government departments. There's never enough money to do everything.

Is that your challenge for what you're trying to do? How does that translate for you?

Mr. Harold Calla: We look to creating partnerships, both with government and industry. If we're going to have major economic development in this country, and there are going to be impact benefit agreements resulting from that.... The question that was asked earlier was about what should be in those provisions. I think investment in capacity development at the first nation community level is an important element of what could be in an impact benefit agreement.

As you say, there will never be enough, but we have to start looking for ways in which we can stack different bundles of money to be able to support the overall objective.

● (0950)

The Chair: Thank you.

That concludes the time on questions. That's the end of my list of questioners.

We do have some committee business to take care of this morning. I'm going to suspend for the next few minutes so we can clear the room and move in camera for our committee business.

I want to thank all of our witnesses today. It was a very productive discussion. We appreciate your time today. Thanks for being with us.

[Proceedings continue in camera]

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